

San José Arena Enhancement Fund**Fund 301****PURPOSE OF THE FUND:**

The Amended and Restated San José Arena Management Agreement (Agreement) approved by the City Council on December 19, 2000 provides that the City and San José Arena Management are required to contribute into a San José Arena Enhancement Fund. The purpose of this fund is to fund arena capital enhancements through contributions from HP Pavilion Management and the City under the terms of the Agreement. In 2006 an Addendum to the Agreement was approved providing certain funding in association with Comerica naming rights. The City's portion of these funds are to be held in a separate account by the City and used as provided in the Agreement. In 2007 a Capital Enhancements Agreement was approved by the Council. Under the terms of the Capital Enhancements Agreement, the City funded half (\$8.25 million) of the total improvements (\$16.5 million) through the issuance and payback of commercial paper. For administrative convenience the commercial paper proceeds were placed in the Enhancement Fund and dispersed per the 2007 Capital Enhancement Agreement. Pursuant to the 2007 Capital Enhancements agreement certain funds held in the Enhancement Fund, funds from the Comerica naming rights Addendum and additional specified funds available through the Agreement are authorized to be used to repay the commercial paper obligation of the City.

AUTHORITY FOR THE FUND:

Establishment of this fund was required as part of the above referenced Agreement.

SOURCE OF FUNDS:

- Commercial Paper Proceeds
- Transfers from the General Fund
- Payments from HP Pavilion Management
- Interest earnings
- Comerica Agreement Naming Rights Revenue (City share) – Per the Amended and Restated San José Arena Management Agreement, San José Arena (HP Pavilion) naming rights revenue is deposited to the General Fund. However, per a separate agreement with Comerica, these revenues are deposited directly into the San José Arena Enhancement Fund in order to pay for the City's share of the capital improvements approved by the City Council on May 8, 2007, as previously mentioned above.

FUND RESTRICTIONS:

While the use of moneys within this fund is not subject to Proposition 218, certain moneys in this fund may be restricted by other policies and guidelines, which are described below.

Commercial paper or bond proceeds must be spent on tax-exempt eligible capital expenditures.

San José Arena Enhancement Fund**Fund 301****FUND RESTRICTIONS (CONT'D.):**

Under the terms of the Agreement, monies in this fund shall be used for capital enhancements to the San José Arena. Capital enhancements are defined, per the Agreement, as expenditures that are not required to repair or replace faulty or worn out capital items but made to improve the quality or functioning of the Arena Facilities, including costs of capital repairs and replacements in excess of costs necessary to restore or replace capital items to the same or substantially similar level of quality or function as originally installed. All moneys, if any, including interest earned shall remain in this fund even after the termination of the current Agreement.

LEAD RESPONSIBILITY:

City Manager's Office – Office of Economic Department

FINANCIAL INFORMATION AND LOCATION:**Comprehensive Annual Financial Report (CAFR) Designation:**

Governmental Fund-Special Revenue

Budget Location:

Adopted Operating Budget

Funding Sources Resolution and Appropriation Ordinance Location:

Section 24.03